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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C.

JUL 23 11 41 AM '93

In the Matter of  
  
800 Data Base Access Tariffs and the  
  
800 Service Management System Tariff

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DA 93-030  
DISPATCHED BY  
CC Docket No. 93-129

ORDER DESIGNATING ISSUES FOR INVESTIGATION

Adopted: July 19, 1993; Released: July 19, 1993

By the Acting Chief, Common Carrier Bureau:

**I. INTRODUCTION**

1. This Order designates the issues we will investigate in this docket. We initiated this docket to investigate tariff filings by the local exchange carriers (LECs) which introduce a new rate structure for 800 access service. Under earlier network technologies, LECs used their central office switches to process 800 calls. When a caller placed an 800 call, the LEC's

2. There are a variety of arrangements through which LECs have fulfilled their obligation to provide 800 data base query service. LECs can either own SCPs<sup>3</sup> or purchase query service from another LEC. LECs can also arrange to route their 800 calls to another LEC's network which is equipped with SSPs.

3. The system described above constitutes the network that is directly involved in processing 800 calls. Additional facilities are required to load the proper customer information and routing instructions into each regional SCP. This is accomplished through the 800 Service Management System (SMS/800), a single centralized data base into which all customer records and routing instructions for 800 numbers are loaded. The SMS/800 data base is owned by the Bell Operating Companies and access to it is limited to entities called Responsible Organizations (RESPORGs), which can enter the SMS/800 data base to do such things as reserve new numbers or change carrier assignments. RESPORG functions may be performed by LECs, IXC's or other qualified entities.

4. The LECs' offerings of 800 data base query service and the Bell Operating Companies' (BOCs) joint offering of services through the SMS/800<sup>4</sup> were established in tariffs filed by March 5, 1993. The affected carriers' filed tariffs to establish charges for both basic query services and vertical features. In addition, the BOCs filed the tariff to govern access by RESPORGs to the SMS/800, the centralized administrative data base for 800 services.<sup>6</sup> In the *800 Data Base Access Tariff Order* the Common Carrier Bureau (Bureau) suspended the subject transmittals for one day, imposed accounting orders and initiated investigations of the LECs' 800 data base query tariffs and the BOCs' SMS/800 tariff. Subsequently, some LECs have revised their 800 data base query rates, for either basic or vertical services, in their annual access tariff filings and those revisions have been added to this investigation.

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<sup>3</sup> Ten LECs filed tariffs as SCP owners.

<sup>4</sup> The SMS/800 service was established in the *Bell Operating Companies' Tariff for the*

## II. ISSUES DESIGNATED FOR INVESTIGATION

5. The Bureau's investigation will address the following issues with regard to the 800 data base tariffs. The summary of relevant comments following each issue provides specific examples of matters that parties are free to address in their comments on that issue.

### A. TERMS AND CONDITIONS

Issue 1. The degree of clarity with which the LEC 800 data base tariffs describe the services offered.

6. These tariffs reflect the implementation of a new technology to deliver 800 data base access service. Thus, they introduce a variety of new terms and conditions that raise questions of reasonableness. For example, petitioners argue that some LECs fail to state clearly that basic 800 query service includes area of service routing at the LATA level.<sup>8</sup> Petitioners claim that the LECs do not clearly describe when a LEC may charge for a query when the associated call is not delivered to the IXC. They also argue that tariff provisions on this question are not uniform among the LECs. Petitioners argue that, because of the ambiguities in the descriptions contained in some tariffs, some LECs may be able to market vertical features directly to end users, in contravention of the Commission's Order in CC Docket No. 86-10.<sup>9</sup> Petitioners further argue that at least one tariff could be interpreted to require customers to take RESPORG service in order to obtain vertical features. We request comments on the reasonableness of limits in the SMS/800 tariff on the quantity of 800 numbers that a RESPORG can reserve for future use and what, if any, reservation policy should apply.<sup>10</sup> We invite interested parties to comment on whether terms and conditions such as those described above, which appear in the 800 data base tariffs, are consistent with the Communications Act and with the Commission's Orders in CC Docket No. 86-10.

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<sup>8</sup> This feature allows a customer to divide the traffic to a single 800 number among two or more IXCs geographically, based on the LATAs in which the calls originate.

<sup>9</sup> *Provision of Access for 800 Service, Notice of Proposed Rulemaking*, 102 FCC 2d 1387 (1986); *Supplemental Notice of Proposed Rule Making*, 3 FCC Rcd 721 (1988); *Report and Order*, 4 FCC Rcd 2824 (1989); *Memorandum Opinion and Order on Reconsideration and Second Supplemental Notice of Proposed Rulemaking*, 6 FCC Rcd 5421 (1991); *Order*, 7 FCC Rcd 5197 (1992) (*Sprint Petition Order*); *Order*, 7 FCC Rcd 8616 (1992) (*Ad Hoc Petition Order*); *Second Report and Order*, CC Docket 86-10, 8 FCC Rcd 907 (1993) (*Rate Structure Order*); *Memorandum Opinion and Order on Further Reconsideration*, 8 FCC Rcd 1038 (1993); *Order*, 8 FCC Rcd 1423 (1993) (*Comptel Petition Order*); *Order*, 8 FCC Rcd 1844 (1993) (*Second Sprint Petition Order*).

<sup>10</sup> The SMS/800 tariff allows a RESPORG to reserve a maximum of 3,000 numbers or 15% of its total quantity of working 800 numbers, whichever is greater. See, Bell Operating Companies' Tariff F.C.C. No. 1, Transmittal No. 1, Section 2.3.1 (A)(4).

Subissue: Should the LECs include RESPORG services in their 800 data base tariffs?

7. The Commission has ruled that entities other than LECs and IXC's may act as RESPORGs if they meet the minimum qualification standards set forth in the SMS/800 tariff and the guidelines that are incorporated into it.<sup>11</sup> Some LECs<sup>12</sup> have included terms, conditions, and rates in their 800 access tariffs for the RESPORG services they will be providing. The petitioners argue that RESPORG services are not required to be tariffed under Title II of the Communications Act and therefore should not be tariffed by the LECs. We invite interested parties to comment on whether such services may properly be included in access tariffs.

#### **B. 800 DATA BASE QUERY TARIFFS - PRICE CAP CARRIERS**

Issue 2. The reasonableness of the methods used by the price cap LECs to restructure their traffic-sensitive baskets, while adjusting for exogenous costs.

8. The price cap LECs generally employ either of two methods for restructuring the traffic-sensitive basket and calculating the exogenous change permitted by the *800 Data Base Access Order*. Some LECs perform the restructure first, while other LECs calculate the exogenous change first. Both methods are described below.

9. As to exogenous costs, the price cap rules require that, when the price cap index (PCI) for the traffic-sensitive basket is adjusted to include the effects of exogenous costs, the upper and lower pricing bands for all service categories within the traffic-sensitive basket are adjusted by a percentage amount equal to the percentage adjustment in the PCI.<sup>13</sup> The service bands limit category pricing flexibility, as reflected in the category service band index (SBI). For restructures, the price cap rules require carriers to determine the levels of demand for the restructured rate elements. Rate levels for the restructured rate elements that produce a new SBI for the restructured category which falls within the upper and lower service bands applicable to that category are presumptively lawful. When a carrier files rate revisions that produce a new SBI which falls outside the service bands, the filing must be accompanied by additional supporting materials. See, Section 61.49 (b), (c) and (d) of the Commission's Rules, 47 C.F.R. § 61.49 (b), (c) and (d).

10. In the instant context, the effect of complying with these requirements of the price cap rules will vary depending upon the order in which the carrier performs the calculations required under the rules. Since the Commission's rules do not specifically address the proper sequence for compliance when both the exogenous adjustment rules and the restructure rules are triggered simultaneously for a new service category within a basket, we will investigate whether carriers have reasonably interpreted and applied our rules in complying with the requirements of CC Docket No. 86-10. Our concern in evaluating methods is whether one approach or another has an adverse impact on the reasonableness of rate levels or rate flexibility or otherwise is contrary

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<sup>11</sup> *Comptel Petition Order*, 8 FCC Rcd 1423, 1428-1429.

<sup>12</sup> See, e.g., ARINC Petition at 11, n.22 (says that Ameritech, BellSouth and NYNEX each tariffed their RESPORG services).

<sup>13</sup> See Section 61.47 of the Commission's Rules, 47 C.F.R. § 61.47.

to the purposes sought to be achieved by the price cap rules.

#### Method 1 - Restructure First

11. United, for example, performs the restructure and exogenous change in the following manner. First, United restructures its traffic-sensitive basket to establish the new 800 data base category. The 800 data base rate is set at the level required to recover the 800 data base exogenous costs. Next, for all the other categories in the traffic sensitive basket (local switching, local transport and information), rates are reduced by the amount of the revenue associated with the 800 data base service category. United does not adjust the SBIs to reflect the rate reductions for these existing categories. The SBI for the 800 data base category is set equal to the current actual price index (API) for the traffic-sensitive basket with upper and lower limits set at plus and minus 5 percent.

12. Next, pursuant to the rules for exogenous cost adjustments, United increases the basket PCI based on the 800 data base exogenous costs and pursuant to price cap rules, increases SBI upper and lower limits for all service categories, including the new 800 data base category.

13. Finally, United uses the upward pricing flexibility afforded by the SBI upper limit to raise the rates for the original service categories back to their original levels and increases the SBIs and the API accordingly.

14. The resulting API has the same relationship to the new PCI as initially existed between the API and PCI. For each of the service categories there appears to be minor changes in the relationships between the SBI and its upper and lower limits.

#### Method 2 - Exogenous Change First

15. Some carriers first make their adjustments for exogenous costs and then restructure their traffic-sensitive basket to establish a new service category for 800 data base services. Although there are minor differences in the exact method used by each carrier, Ameritech provides a good example of the general method. Ameritech performs the exogenous change calculation and the restructure in the following manner.

16. First, the PCI is adjusted to reflect the change in exogenous costs. Next, SBI upper and lower limits for each of the original service categories are adjusted to reflect the change in the PCI. As a result, in some cases, the existing SBI may be below the new lower limits.<sup>14</sup> The 800 data base category SBI is initialized at 100 with upper and lower limits set at plus and minus 5 percent.

17. Finally, the API is increased to reflect the additional revenue in the traffic sensitive basket attributable to including the 800 data base revenue. For most companies that use this method, the increase in the API equals the increase in the PCI.<sup>15</sup>

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<sup>14</sup> Using this method, Ameritech, NYNEX and US West each raised their SBI lower limit above their respective SBI for their information categories.

<sup>15</sup> Ameritech does not set 800 data base rates at the full exogenous cost amount. Therefore, the increase in the API is not equal to the increase in the PCI.

Method 3 - Alternative Method

18. An alternative method to those described above is as follows. The PCI is adjusted to reflect the change in exogenous costs. There is no adjustment to the existing rates, the existing SRTs, or the SPI upper and lower limits.

Issue 3. The reasonableness of the price cap LECs' 800 data base rates.

Subissue: Are the exogenous costs claimed by the price cap LECs reasonable?

25. Exogenous cost adjustments, which can increase a LEC's PCI, were recognized by the Commission as an exception to the incentive structure of price caps. The Commission identified with specificity those extraordinary cost changes enumerated in Section 61.45 (d) of the Commission's Rules, 47 C.F.R. § 61.45 (d), which the Commission would treat as exogenous and therefore warranting adjustment of carriers' PCIs. For the costs of implementing data base 800 technology, the Commission's *Rate Structure Order* stated that:

[E]xogenous treatment will only extend to those costs incurred specifically for the implementation of basic 800 data base service. Those costs which are not reasonable and which are not specifically incurred for the implementation and operation of the 800 data base system, such as core SS7 costs, will not be afforded exogenous cost treatment. Nor will the costs of accelerating SS7 deployment to meet our implementation timetable be granted exogenous treatment. We anticipate that exogenous treatment will be accorded to those costs associated with: Service Control Points (SCPs), the Service Management System (SMS), and links between SCPs and the SMS, as well as between Signal Transfer Points (STPs) and SCPs, to the extent such costs are directly attributable to 800 data base service. Other expenses may also qualify for exogenous treatment, but as with all these requests for exogenous treatment, the burden is on the LECs to demonstrate that such additional costs are incurred specifically for the implementation of basic 800 data base service.<sup>18</sup>

26. The Bureau has previously observed in the *800 Data Base Access Tariff Order* that it was improper for the LECs to include overhead in the calculations of their exogenous costs. Therefore, the Bureau concluded that LECs that had claimed exogenous treatment for such costs must recalculate their price cap indexes (PCIs) to reflect the exclusion of such costs. No suspension of the transmittals was required, pending final resolution of the issue in this investigation, because no API exceeded the recast PCI.<sup>19</sup> However, LECs that wish to continue to assert claims for including overhead in their calculation of exogenous costs must proffer justifications in their direct cases.

27. We also invite interested parties to address whether the other exogenous costs claimed by the LECs are reasonable and consistent with the price cap rules<sup>20</sup> and CC Docket 86-10. Some petitioners argue that some LECs have claimed exogenous treatment for inappropriate

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<sup>18</sup> *Rate Structure Order*, 8 FCC Rcd at 911.

<sup>19</sup> *800 Data Base Access Tariff Order*, 8 FCC Rcd at 3244.

<sup>20</sup> *Policy and Rules Concerning Rates for Dominant Carriers, Second Report and Order*, 5 FCC Rcd 6786 (1990) and *Erratum*, 5 FCC Rcd 7664 (1990) (*LEC Price Cap Order*); *modified on recon.* 6 FCC Rcd 2637 (1991); *petitions for further recon. dismissed*, 6 FCC Rcd 7482 (1991); *upheld on appeal, National Rural Telecom Association v. FCC*, Nos. 91-1300, 91-1303, 91-1304 and 91-1326, slip op. (D.C. Cir. Mar. 26, 1993); *further modified on recon., Report and Order on Further Reconsideration and Supplemental Notice of Proposed Rulemaking*, 6 FCC Rcd 4524 (1991) (*Part 69 ONA Order*); *petitions for recon. of Part 69 ONA Order pending, appeal docketed, D.C. PSC v. FCC*, No. 91-1279 (D.C. Cir. June 14, 1991).

costs. For example, petitioners protest the LECs' claims for exogenous treatment for such costs as SSP hardware and/or software, tandem upgrades, repair centers for 800 service and STPs. Petitioners also protested some LECs' claims that the costs of some transmission links were exogenous even though the Commission's previous orders did not contemplate such treatment. They argue that some costs should be disallowed because they were incurred to meet the Commission's access time standards, not to institute 800 data base service. Petitioners also question whether the LECs should be allowed exogenous treatment for SMS/800 expenses they paid.<sup>21</sup> Petitioners were particularly concerned about whether the manner in which some LECs had leveled the demand used to calculate their exogenous costs had distorted those amounts. Petitioners argue that the LECs did not properly allocate shared costs both among services (*i.e.*, 800 data base service and LIDB, basic and vertical query service) and between jurisdictions (interstate and intrastate). Other petitioners allege that the SMS/800 costs claimed by the BOCs to support their 800 data base query rates were not derived in compliance with the Commission's affiliate transactions rules.

28. Some LECs have used the Common Channel Signalling Cost Information System (CCSCIS) or a similar computer model to apportion common costs to 800 data base service. Additionally, at least one LEC has also used the Switching Cost Information System (SCIS) to develop some of the costs for these services.<sup>22</sup> Other LECs<sup>23</sup> were able to identify exogenous costs for basic 800 query charges without reliance on such models. Petitioners argue that these models should be disclosed on the public record in this proceeding if the LECs plan to rely on them to develop cost support for the rates at issue in this proceeding.

29. In the present proceeding, price cap LECs using computer models to develop costs in their direct cases must disclose those models on the record if their justification for their rates is based on the use of the model.<sup>24</sup> If a carrier prefers not to disclose the model it used to

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<sup>21</sup> See, MCI Petition at 14 (LECs should be required to demonstrate that these costs are reasonable and not duplicative of costs to be recovered through RESPOG access).

<sup>22</sup> See Ameritech Reply at 10.

<sup>23</sup> See, *e.g.*, Pacific Reply at 6 (did not use CCSCIS to develop exogenous costs, or the restructured rate for basic 800 service, only to allocate costs to the new vertical feature services); Southwestern Bell Reply at 16 (not necessary for Southwestern Bell to use data from either the CCSCIS or SCIS-IN models in developing the basic 800 query cost, used CCSCIS to develop costs for one vertical feature).

<sup>24</sup> The LECs that oppose disclosure of the CCSCIS model rely on the Commission's previous decision not to require public disclosure of the SCIS model in the ONA tariff investigation. *Commission Requirements for Cost Support Material To Be Filed with Open Network Architecture Tariffs, Memorandum Opinion and Order*, 7 FCC Rcd 1526 (1992). A fundamental basis for the decision to allow the LECs in that case to use a cost model that was not fully disclosed on the record was the Bureau's determination that the use of such a model was necessary to develop unit investment data for individual basic service elements because of the unique nature of those elements and the switching and related facilities used to provide them. *Id.* at 1533, 1536. Since, in the present proceeding, two LECs were able to develop costs for 800 data base service without such computer models, LECs do not need to rely exclusively on such a model for this service. Therefore, neither the carriers nor the Commission is faced with the limitation on cost development that prompted reliance on the SCIS model in the ONA tariff investigation. Moreover, given the particular services and



allocate costs, it must provide some other justification for its rates. Carriers are free to develop their exogenous costs by other methods, provided that those methods are disclosed on the record.

Subissue      Have the LECs used reasonable rate making methodologies in developing their basic query rates?

30. The carriers' 800 query charges must be established as a restructure under our price cap rules. As part of the showing required to justify restructured rates, carriers must demonstrate the reasonableness of the demand assumptions used to develop those rates. For 800 query charges, most of the price cap LECs developed their rates primarily by dividing their exogenous costs by their estimated demand. Petitioners challenge the adequacy and accuracy of the demand assumptions on which the LECs based their basic query rates. We invite interested parties to comment on these issues.

31. To assist in our resolution of these issues related to the reasonableness of rates, we require the price cap LECs specified in Appendix A to provide the information requested therein.

Subissue      Have the LECs used reasonable rate making methodologies in developing their vertical features rates?

32. For vertical features, price cap LECs are required to provide cost support material that satisfies the requirements for new service offerings set forth in the *Part 69 ONA Order*, as modified.<sup>25</sup> Petitioners questioned the adequacy of the cost support for some of the assumptions underlying the LECs' rates, such as demand figures, depreciation and tax expense used in developing their rates for these services.<sup>26</sup>

33. To assist in our resolution of these cost support issues, we require the price cap LECs specified in Appendix A to provide the information requested therein.

#### **C. 800 DATA BASE QUERY TARIFFS - RATE OF RETURN CARRIERS**

Issue 4.      The rate of return LECs' role in providing the services offered in their tariffs.

34. There are a variety of interconnection architectures that the LECs use to handle 800 data base queries. Some LECs do not own SSPs and are therefore unable to suspend the processing

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facilities at issue in the ONA investigation, the data used to develop and exercise the SCIS model included information proprietary to entities other than the filing carriers. Therefore, some confidential treatment of the SCIS model was justified. Those services, and the facilities used to deliver those services, are not at issue here.

<sup>25</sup> *Part 69 ONA Order*, 6 FCC Rcd 4524.

<sup>26</sup> The LECs argue that their cost allocation factors used to apportion costs to and among vertical features are proper, even when they result in a zero incremental rate for vertical features. We ask for comment on whether vertical features require the LECs to use more complex and thus more costly hardware, or software functions, than those used for basic queries and whether those differences have any rate implications.

of an 800 call and initiate a query to the SCP, where the routing instructions for the 800 number are contained, for an 800 call which originates in their service area. Those carriers may choose instead to route 800 calls to a neighboring LEC equipped with the requisite facilities to query the 800 data base. In some of these cases, the originating LEC has nevertheless filed a tariff for 800 data base query charges. While the originating LEC is free to bill the IXC for the charges associated with both its services and those of the neighboring LEC who provides the 800 query service, we invite parties to address whether the originating LEC may properly establish tariffed charges for the query service when the neighboring LEC who provides the service also has charges for the service in its tariff.

**Issue 5: Query and vertical features rate development.**

**Subissue:** Do these tariffs properly flow through changes in LEC costs of providing basic query service and vertical features?

35. Many LECs who do not own SCPs purchase query service from another LEC and then resell it. Some of these carriers can use SS7 network facilities to initiate a query to an SCP owned and maintained by another LEC. Since March 5, 1993, there have been several reductions in the basic query and vertical features rates that the SCP owners charge. Petitioners have argued that the non-SCP owner LECs have not, in all cases, properly flowed through the reductions in their costs. In their direct cases, LECs who do not own SCPs but initiate queries as part of their 800 call processing must address whether reductions in the tariffed rates of the SCP owners require reductions in the tariffed rates of non-SCP owners.

**Subissue:** Have the rate of return LECs properly stated the demand on which their query rates are based?

36. Several LECs have adjusted their demand, when calculating their rates, to exclude an estimated number of unbillable queries. These LECs estimate that they will be unable to collect for up to 20% of the queries that originate from their service areas, possibly because they are unable to bill some IXCs. They propose to adjust their demand figure, the net effect of which will be that those costs are recovered in the rates for the billable queries. Petitioners question the validity of the methods used by some rate of return LECs to estimate the percentage of queries that will be unbillable. In their direct cases, these LECs must demonstrate that such adjustments are warranted and that their demand estimates are reasonable.

**Issue 6. Reasonableness of CCSCIS cost allocations.**

37. Some rate of return LECs have used the Common Channel Signalling Cost Information System (CCSCIS) or a similar computer model to apportion the investment associated with providing 800 data base service in order to develop investment-based costs. In the present proceeding, rate of return LECs that use computer models to develop investment-based costs in their direct cases must disclose those models on the record if their justification for their rates is based on the model.<sup>27</sup> If a carrier prefers not to disclose the model it uses to allocate costs, it must provide some other justification for its rates. Carriers are free to develop their costs by other methods, provided that those methods are disclosed on the record.

#### **D. SMS/800 DATA BASE TARIFF**

##### **Issue 7. Terms and conditions in the BOC SMS/800 tariffs**

39. The SMS/800 is a centralized data base that administers the customer records, carrier identification and routing instructions for virtually all domestic 800 numbers. The SMS/800 tariff was jointly filed by the seven BOCs<sup>28</sup> and offers RESPORGs access to the SMS/800 data base. LECs that own SCPs also interconnect with the SMS, which periodically updates the information in the LECs' SCPs. That latter service is provided on a contractual basis and is not offered in the tariff.

40. We invite interested parties to comment on the reasonableness of certain terms and conditions in the BOCs' SMS/800 tariff. In particular, petitioners have complained that the tariff does not define the procedures to be followed when a change from one RESPORG to another is not made within two days and the sanctions to be imposed when the tariff provisions are violated. Further, petitioners contend that the procedures for requesting and confirming change requests are inadequate or vague. Petitioners also claim that the liability provisions relating to patent infringement are unjust and unreasonable in light of the fact that the BOCs selected the technology. Petitioners argue that the requirement that a RESPORG purchase liability insurance is unprecedented and discriminatory. Additionally, petitioners claim that the tariff should set a more specific time within which RESPORGs must make customer-requested traffic changes, *e.g.*, moving traffic to a new IXC. Petitioners also question the appropriateness of incorporating other documents, such as industry guidelines, by reference. In particular, petitioners question whether RESPORG eligibility requirements should be in the tariff, rather than in industry guidelines that are incorporated into the tariff by reference. Petitioners criticize the lack of procedures to ensure evenhanded enforcement of the terms and conditions of the SMS/800 tariff and the lack of explanation about what enforcement measures will be taken against RESPORGs that fail to comply with tariff requirements. Petitioners challenge the reasonableness of the provision that the number administration service center (NASC)<sup>29</sup> will perform changes from one RESPORG to another on a negotiated interval basis rather than within a fixed time limit. Finally, petitioners challenge the reasonableness of requiring that, when requesting the NASC to make a RESPORG change, the receiving RESPORG must mail a written request to NASC and that the NASC will return confirmation notices by mail. The BOCs should address in their direct case, the reasonableness of these aspects of their tariff.

##### **Issue 8. The reasonableness of the BOCs' cost allocations and demand estimates for their SMS/800 tariff.**

41. The BOCs, for SMS/800 services provided to RESPORGs must establish rates for the services provided to the RESPORGs that reasonably reflect their cost of service. We will investigate whether the BOCs' reasonable costs of providing service justify the rates in the SMS/800 tariff.

42. In their petitions against the SMS/800 transmittal, petitioners questioned whether the

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<sup>28</sup> See n.4, *supra*.

<sup>29</sup> The "NASC" is the organization that administers the SMS/800 system for the centralized management of 800 numbers for 800 data base service.

BOCs had properly allocated SMS/800 costs between the tariffed RESPORG services and other services, such as the untariffed SCP updating service provided to SCP owners, as described in paragraph 37. Also, petitioners have questioned whether the BOCs provide proper cost support and properly account for SMS/800 costs incurred in transactions with affiliated entities. Petitioners further questioned the assumptions, such as demand forecasts, labor wage rates, depreciation and tax expenses, that the BOCs used in developing their rates for these services. Petitioners have also argued that the rates are excessive because the tariff understates demand. To assist in our resolution of these cost support issues, we require the BOCs, as owners of the SMS/800, to provide the information requested in Appendix C as part of their direct cases. Parties commenting on the BOCs' direct case may address these issues and the responses to the information requests in Appendix C.

43. On April 28, 1993, the Bureau issued the *800 Data Base Access Tariff Order* which, among other things, suspended the Bell Operating Companies' Tariff F.C.C. No. 1, Transmittal No. 1, for one day, imposed an accounting order, and initiated an investigation of that transmittal. Transmittal Nos. 2 and 3<sup>30</sup> raise the same issues as Transmittal No. 1, which is subject to the investigation initiated in the *800 Data Base Access Tariff Order*. Therefore, Transmittal Nos. 2 and 3 will also be subject to this investigation.

### III. PROCEDURAL MATTERS

#### A. Filing Schedules

44. This investigation, to be identified as CC Docket No. 93-129, will be conducted as a notice and comment proceeding during which the carriers bear the burden of proof to show that their new or revised rates are just and reasonable.<sup>31</sup> The LECs identified in Appendices A, B and C of the *800 Data Base Access Tariff Order* are designated as parties. These parties shall file their direct cases and responses to information requests no later than August 19, 1993. The direct cases must present the parties' positions with respect to the issues described in this Order. Pleadings responding to the direct cases may be filed no later than September 20, 1993, and must be captioned "Opposition to Direct Case" or "Comments on Direct Case." The parties may each file a "Rebuttal" to oppositions or comments no later than September 30, 1993.

45. An original and four copies of all pleadings must be filed with the Secretary of the Commission. In addition, one copy must be delivered to the Commission's commercial copying firm, International Transcription Service, Room 246, 1919 M Street, N.W., Washington, D.C. 20554. Also, one copy of each pleading must be delivered to the Tariff Division, Room 518, 1919 M Street, N.W., Washington, D.C. 20554. Members of the general public who wish to express their views in an informal manner regarding the issues in this investigation may do so by submitting one copy of their comments to the Secretary, Federal Communications Commission, 1919 M Street, N.W., Room 222, Washington, D.C. 20554. Such comments must specify the docket number of this investigation.

46. All relevant and timely pleadings will be considered by the Commission. In reaching a decision, the Commission may take into account information and ideas not contained in pleadings, provided that such information or a writing containing the nature and source of such

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<sup>30</sup> Sprint and MCI each filed a petition against Transmittal 3 on April 30, 1993.

<sup>31</sup> See, Section 204(a) of the Communications Act, 47 U.S.C. § 204(a).

information is placed in the public file, and provided that the fact of reliance on such information is noted in the Order.

**B. Ex Parte Requirements**

47. *Ex parte* contacts (*i.e.*, written or oral communications which address the procedural or substantive merits of the proceeding which are directed to any member, officer, or employee of the Commission who may reasonably be expected to be involved in the decisional process in this proceeding) are permitted in this proceeding during the time periods established by the Commission's rules. Written *ex parte* contacts must be filed on the day submitted with the Secretary and Commission employees receiving each presentation. For other requirements, see generally Section 1.1200 *et seq.* of the Commission's Rules, 47 C.F.R. § 1.1200 *et seq.*

**C. Paperwork Reduction Act**

48. The investigation established in this Order has been analyzed with respect to the Paperwork Reduction Act of 1980 and found to contain no new or modified form, information collection, or recordkeeping, labeling, disclosure or other record retention requirements as contemplated under the statute. See 44 U.S.C. § 3502(4)(A).

**V. ORDERING CLAUSES**

49. IT IS ORDERED, pursuant to Sections 4(i), 4(j), 201-205 and 403 of the Communications Act, 47 U.S.C. §§ 154(i), 154(j), 201-205 and 403, that the issues set forth in this Order ARE DESIGNATED FOR INVESTIGATION.

50. IT IS FURTHER ORDERED that the local exchange carriers listed in Appendices A, B and C of the *800 Data Base Access Tariff Order* SHALL BE parties to this proceeding.

51. IT IS FURTHER ORDERED that each local exchange carrier that is a party to this proceeding SHALL INCLUDE, in its direct case, a response to each request for information that it is required to answer in Appendices A,B or C, that are incorporated in this order.

52. IT IS FURTHER ORDERED that, pursuant to Section 205 of the Communications Act, 47 U.S.C. § 205, the Bell Operating Companies Tariff F.C.C. No. 1, Transmittals 2 and 3, ARE SUBJECT to the investigation in this docket.

## **APPENDIX A**

### **Information Request for Exogenous Costs CC Docket No. 93-129**

In order to assist the Bureau staff in the investigation of 800 data base rates, the price cap carriers identified in this appendix are directed to provide the following information regarding exogenous costs for rates that became effective on May 1, 1993, including any subsequent rate revisions. The data should be submitted in your direct case and on 5.25 inch PC floppy disks, double sided double density. One copy of the floppy disk filing shall be provided directly to Tom Quaile in Room 518, 1919 M Street, NW. A copy of the required information, in LOTUS 1-2-3 spreadsheet format, can be obtained from the Tariff Division for use in meeting this filing requirement.

#### **I. Unit Cost and Investment Information**

For each function,<sup>32</sup> provide unit gross investment in each of the respective Part 32 accounts. On the same basis, provide the following unit costs: (1) Depreciation, (2) Net Return, (3) Federal Income Tax, (4) State and Local Income Tax, (5) Maintenance, (6) Administration, (7) Other Tax, (8) Other Direct Expense, (9) Total Overhead Loadings, and (10) Total Expense.

The Part 32 accounts listed on the spreadsheet should include all applicable plant accounts. If plant is included in accounts other than those listed on the spreadsheet, please show the Part 32 account and the amount in a note. For accounts that do not apply to your company, enter NONE. Unit costs should be entered by Part 32 account if the cost is plant-based. At a minimum, the plant-based unit costs should include Depreciation, Net Return, Federal Income Tax, and State and Local Income Tax. For costs that are not plant-based, enter the amount in the total column, and enter the applicable Part 32 expense account. In a separate note, identify which Part 36 category or categories of expense are reflected in each of the Maintenance, Administration, Other Direct Expense, and Overhead Loadings rows on the form.

#### **II. Jurisdictional Separations**

For each function, and for each Part 32 plant account identified in the spreadsheet, provide gross investment subject to separations, and the amounts apportioned or assigned to state 800 data base, state other, interstate 800 data base and interstate other. The investment

### **III. Demand**

For 800 data base service, provide the base period demand used in your restructure calculations. Also provide the demand level used in your cost estimates, the time period used in your demand estimates and the discount rate used to calculate a demand estimate that is levelized over a period of several years.

### **IV. Other**

1. If a discount rate is used in your demand calculations, explain the rationale for using this rate.

2. If you based your demand growth assumptions completely on past performance, explain why the introduction of 800 data base service will have no effect on the growth rate for 800 query demand for your company.

3. Explain how the demand assumptions were used in your ratemaking methodology.

4. Provide the annual costs for all expenses related to the SMS/800 incurred pursuant to contracts with Bellcore, Data Services Management, Inc., or any other entity. Provide the terms of the contract and an explanation of how the annualized amount is calculated.

5. Provide the cost detail, by account, associated with upgrading the SSPs for 800 data base service and justify why those upgrades should be treated as exogenous costs.

6. If overhead costs were included as exogenous costs in your initial filing, justify why those costs should be treated as exogenous costs.

7. If signalling link costs between local STPs and regional STPS are included as exogenous costs, justify why those costs should be treated as exogenous costs.

8. If costs for regional or local STPs are included as exogenous costs, justify why those costs should be treated as exogenous costs.

9. For each of your company's SCPs, list and describe each service that is supported by that SCP. (*i.e.*, 800 data base, LIDB, virtual private networks, wide area Centrex or unrelated administrative functions). Provide a diagram of the equipment in an SCP installation typical for your company.

10. If costs for the SCP are allocated among the functions described above, explain your allocation procedures and provide your allocation factors and how these factors were derived.

11. The following carriers are directed to complete the attached spreadsheet and respond to the questions in this appendix.

Ameritech Operating Companies  
Bell Atlantic  
BellSouth  
Centel Telephone Companies  
GTE System Telephone Companies(GSTC)

**GTE Telephone Operating Companies(GTOC)**  
**Lincoln Telephone Company**  
**NYNEX**  
**Pacific Bell**  
**Rochester Telephone Company**  
**SNET**  
**Southwestern Bell**  
**United Telephone Company**  
**U.S. West**



# INFORMATION REQUEST FOR 800 DATABASE SERVICE

A	B	C	D	E	F	G	H	I	J
Land	Buildings	General Purpose Computers	Archiving Equipment	Digital Equipment	Audio System	Visual Equipment	Other Terminal Equipment	Police Radio	Amplified Cables
April 2111	April 2121	April 2134	April 2211	April 2212	April 2231	April 2232	April 2232	April 2411	April 2421

## 1. Unit Cost and Investment

### STP/SCP Signaling Link

Unit Code									
Depreciation									
Net Return									
Federal Income Tax									
State & Local Income Tax									
Maintenance									
Advertising									
Other Tax									
Other Direct Expenses									
Overhead Loading									
Total									

### Legal STP/Regional STP Signaling Link

Unit Code									
Depreciation									
Net Return									
Federal Income Tax									
State & Local Income Tax									
Maintenance									
Advertising									
Other Tax									
Other Direct Expenses									
Overhead Loading									
Total									

### SCP/SSM Signaling Link

Unit Code									
Depreciation									
Net Return									
Federal Income Tax									
State & Local Income Tax									
Maintenance									
Advertising									
Other Tax									
Other Direct Expenses									
Overhead Loading									
Total									

### SCP

Unit Code									
Depreciation									
Net Return									
Federal Income Tax									
State & Local Income Tax									
Maintenance									
Advertising									
Other Tax									
Other Direct Expenses									
Overhead Loading									
Total									

### Landmark Switch

Unit Code									
Depreciation									
Net Return									
Federal Income Tax									
State & Local Income Tax									
Maintenance									
Advertising									
Other Tax									
Other Direct Expenses									
Overhead Loading									
Total									

A  
Land  
Acct 2111

889

Land Investment	
Land Costs	
Depreciation	
Net Return	
Federal Income Tax	
State & Local Income Tax	
Maintenance	
Administration	
Other Tax	
Other Direct Expense	
Overhead/Loading	
Total	

I. Additional Securities

STRATEGY Separating Unit

Total Investment	
Total Company	
Subject to Separation	
State & Local Income Tax	
State Other	
Interest & Dividends	
Interest Other	

Method of Assignment

Local STRATEGICAL STR Separating Unit

Total Investment	
Total Company	
Subject to Separation	
State & Local Income Tax	
State Other	
Interest & Dividends	
Interest Other	

Method of Assignment

SCY/SAFE Separating Unit

Total Investment	
Total Company	
Subject to Separation	
State & Local Income Tax	
State Other	
Interest & Dividends	
Interest Other	

Method of Assignment

SCP

Total Investment	
Total Company	
Subject to Separation	
State & Local Income Tax	
State Other	
Interest & Dividends	
Interest Other	

Method of Assignment

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Land Acct 2111	Buildings Acct 2121	Current Purpose Computers Acct 2124	Audio Sweeping Acct 2211	Digital Sweeping Acct 2212	Radio System Acct 2221	Circuit Equipment Acct 2222	Other Terminal Equipment Acct 2222	Pole Acct 2411	Aerial Cable Acct 2421	Underground Cable Acct 2422	Buried Cable Acct 2423	Trunking Network Cable Acct 2423	Aerial Wire Acct 2431	Conduit Systems Acct 2441	Total

Total Investment															
Total Company															
Subject to Separation															
State 800 Database															
State Other															
Interstate 800 Database															
Interstate Other															
Method of Assignment															

Total Investment															
Total Company															
Subject to Separation															
State 800 Database															
State Other															
Interstate 800 Database															
Interstate Other															
Method of Assignment															

II. Demand	
Total	

800 Database Quarterly	
State Other	
Interstate 800 Database	
Interstate Other	
State 800 Database	
State Other	
Interstate 800 Database	
Interstate Other	
Method of Assignment	

## **APPENDIX B**

### **Information Request for 800 Data base Service Costs CC Docket No. 93-129**

In order to assist the Bureau staff in the investigation of 800 data base rates, the rate of return carriers identified in this appendix must complete the attached spreadsheet and respond to questions 1 through 11 for the rates that became effective on May 1, 1993 and any subsequent rate revisions. Carriers specifically identified in this appendix and any carriers that reduced demand assumptions to compensate for unbillable queries are directed to respond only to the demand section of the spreadsheet for the rates that became effective on May 1, 1993 and any subsequent rate revisions. Submit the data in your direct case and on 5.25 inch PC floppy disks, double sided double density. One copy of the floppy disk filing shall be provided directly to Tom Quaile in Room 518, 1919 M Street, NW. A copy of the required information, in LOTUS 1-2-3 spreadsheet format, can be obtained from the Tariff Division for use in meeting this filing requirement.

#### **I. Unit Cost and Investment Information**

Complete the parts of the spreadsheet that apply to the functions you include as costs for 800 data base service.

For each function,<sup>33</sup> provide unit gross investment in each of the respective Part 32 accounts. On the same basis, provide the following unit costs: (1) Depreciation, (2) Net Return, (3) Federal Income Tax, (4) State and Local Income Tax, (5) Maintenance, (6) Administration, (7) Other Tax, (8) Other Direct Expense, (9) Total Overhead Loadings, and (10) Total Expense.

The Part 32 accounts listed on the spreadsheet should include all applicable plant accounts. If plant is included in accounts other than those listed on the spreadsheet, please show the Part 32 account and the amount in a note. For accounts that do not apply to your company, enter NONE. Unit costs should be entered by Part 32 account if the cost is plant-based. At a minimum, the plant-based unit costs should include Depreciation, Net Return, Federal Income Tax, and State and Local Income Tax. For costs that are not plant-based, enter the amount in the total column, and enter the applicable Part 32 expense account. In a separate note, identify which Part 36 category or categories of expense are reflected in each of the Maintenance, Administration, Other Direct Expense, and Overhead Loadings rows on the form.

#### **II. Jurisdictional Separations**

For each function, and for each Part 32 plant account identified in the spreadsheet, provide gross investment subject to separations, and the amounts apportioned or assigned to state 800 data base, state other, interstate 800 data base and interstate other. The investment provided in each case should be for only those pieces of equipment used to provide 800 data

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<sup>33</sup> The functions include the signalling transfer point/signalling control point (STP/SCP) signalling link, local STP/regional STP signalling links, the tandem switches and signal switching points (SSPs).

### III. Demand

- #### IV. Other

3. Explain and justify your rationale for the factor used to decrease demand for your ratemaking calculations.
4. Provide the name of the SCP provider for your query service.
5. Provide the per query rate on which your rates were based.
6. Did your SCP provider(s) revise rates since your original rate calculations?
7. If your SCP provider(s) revised rates, have you revised your rates to reflect the change in your costs?
8. If you use two or more SCP providers and develop a composite query cost, explain how the composite is calculated for inclusion in your rates.

Illinois Consolidated Telephone Co.  
Rochester Telephone Corp. (Enterprise Telephone Co.)  
Chillacothe Telephone Co.  
ALLTEL Telephone System  
Lufkin-Conroe Telephone Exchange, Inc.  
National Exchange Carrier's Association  
Telephone Utilities Exchange Carrier Association  
Union Telephone Company

# INFORMATION REQUEST FOR 800 DATABASE SERVICE COSTS

1. Unit Cost and Investment

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Land Acct 2111	Buildings Acct 2121	General Purpose Computers Acct 2126	Armed Switching Acct 2211	Digital Switching Acct 2212	Radio Systems Acct 2251	Cable Equipment Acct 2252	Other Terminal Equipment Acct 2253	Poles Acct 2411	Aerial Cables Acct 2421	Underground Cables Acct 2422	Buried Cables Acct 2423	Interoffice Network Cables Acct 2424	Aerial Wire Acct 2425	Cable Systems Acct 2426	Total

STP/OCF Signaling Unit

Unit Cost															
Depreciation															
Net Return															
Federal Income Tax															
State & Local Income Tax															
Maintenance															
Administration															
Other Tax															
Other Direct Expense															
Overhead/Loading															
Total															

Local STP/OCF STP Signaling Unit

Unit Investment															
Depreciation															
Net Return															
Federal Income Tax															
State & Local Income Tax															
Maintenance															
Administration															
Other Tax															
Other Direct Expense															
Overhead/Loading															
Total															

Tandem Switch

Unit Investment															
Depreciation															
Net Return															
Federal Income Tax															
State & Local Income Tax															
Maintenance															
Administration															
Other Tax															
Other Direct Expense															
Overhead/Loading															
Total															

SEP

Unit Investment															
Depreciation															
Net Return															
Federal Income Tax															
State & Local Income Tax															
Maintenance															
Administration															
Other Tax															
Other Direct Expense															
Overhead/Loading															
Total															

**I. Jurisdictional Summary**

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Land Acct 2111	Building Acct 2121	Leasing Company Acct 213X	Architect Acct 2211	Digital Acct 2212	Radio System Acct 2231	Circuit Equipment Acct 2232	Terminal Equipment Acct 2233	Poles Acct 2411	Aerial Cables Acct 2421	Underground Cables Acct 2422	Buried Cables Acct 2423	Feeder Cables Acct 2424	Aerial Wires Acct 2425	Conduit Systems Acct 2441	Total

**STP/OC2 Signaling Unit**

Total Investment															
Total Company															
Subject to Separation															
State EOT Database															
State OTR															
Interstate EOT Database															
Interstate OTR															

**Method of Assignment**

**Local STP/OC2 STP Signaling Unit**

Total Investment															
Total Company															
Subject to Separation															
State EOT Database															
State OTR															
Interstate EOT Database															
Interstate OTR															

**Method of Assignment**

**Tandem Switch**

Total Investment															
Total Company															
Subject to Separation															
State EOT Database															
State OTR															
Interstate EOT Database															
Interstate OTR															

**Method of Assignment**

**SEP**

Total Investment															
Total Company															
Subject to Separation															
State EOT Database															
State OTR															
Interstate EOT Database															
Interstate OTR															

**Method of Assignment**

**II. Demand**

Total	A
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**SEP Database Queries**

State EOT Database	
State OTR	
Interstate EOT Database	
Interstate OTR	
Interstate Query Filter	



## **APPENDIX C**

### **Information Request for 800 Service Management System Service Costs CC Docket No. 93-129**

In order to assist the Bureau staff in the investigation of 800 data base and 800 Service Management System (SMS/800) rates, the Bell Operating Companies and Southwestern Bell are directed to respond to the following questions concerning the rates that became effective on May 1, 1993 and any subsequent rate revisions. Submit the data in your direct case and on 5.25 inch PC floppy disks, double sided double density. One copy of the floppy disk filing shall be provided directly to Tom Quaile in Room 518, 1919 M Street, NW.

#### **Southwestern Bell**

##### **Costs**

1. For the Kansas City Data Center and for all other Southwestern Bell data centers, provide, by category, *e.g.*, administration, product development, and by Part 32 account, the total annual costs incurred for the year ending December 31, 1992.

2. For the Kansas City Data Center and all other Southwestern Bell data centers, provide, by category and by Part 32 account, a projection of the total annual costs for each year used in your representative period.

##### **Regulated/Unregulated Costs**

3. For the Kansas City Data Center and the St. Louis Data Center provide, by category and by Part 32 account, the regulated and unregulated costs incurred for the year ending December 31, 1992.

4. For the Kansas City Data Center and the St. Louis Data Center provide, by category and by Part 32 account, a projection of the regulated and unregulated costs for each year used in your representative period.

##### **Costs of Services**

5. List and describe each regulated and unregulated service, including SMS/800 service, supported by the Kansas City Data Center and by the St. Louis Data Center prior to the introduction of 800 number portability on May 1, 1993.

6. Explain and demonstrate how total costs for the Kansas City Data Center and the St. Louis Data Center were apportioned among the services listed above.

7. If allocation factors were used to apportion costs, give the basis and rationale for each of these factors.

8. List and describe each service supported by the Kansas City Data Center and by the St. Louis Data Center after the introduction of 800 number portability on May 1, 1993.

9. For each service listed in the answer to question 8, demonstrate how total data